

CORAL GABLES RETIREMENT SYSTEM
Minutes of February 12, 2015
Youth Center Theater/Auditorium
405 University Drive
8:00 a.m.

MEMBERS:	M	A-10	A-18	M	J	A	S	O	N	J	F	APPOINTED BY:
	14	14	14	14	14	14	14	14	14	15	15	
Andy Gomez	E	E	P	P	P	P	E	E	P	E	P	Mayor Jim Cason
Manuel A. Garcia-Linares	P	P	E	E	P	P	P	E	P	P	P	Vice Mayor William H. Kerdyk, Jr.
Appt. Needed	-	-	-	-	-	-	-	-	-	-	-	Commissioner Patricia Keon
Rene Alvarez	-	-	-	-	-	-	-	-	P	P	P	Commissioner Vince Lago
James Gueits	P	P	P	P	P	P	P	P	P	P	P	Commissioner Frank C. Quesada
Joshua Nunez	E	P	P	P	P	E	P	P	P	P	P	Police Representative
Randy Hoff	P	P	P	P	P	P	P	P	P	P	P	Member at Large
Donald R. Hill	P	P	P	P	P	P	P	P	P	P	P	General Employees
Troy Easley	P	P	P	P	P	P	P	P	P	P	P	Fire Representative
Diana Gomez	P	P	P	P	P	P	P	P	P	P	P	Finance Director
Elsa Jaramillo-Velez	P	P	P	P	P	P	P	P	P	P	P	Human Resources Director
Keith Kleiman	-	-	-	-	P	P	P	P	P	P	P	City Manager Appointee
Pete Chircut	-	-	-	-	P	P	P	P	P	P	P	City Manager Appointee

STAFF:

Kimberly Groome, Administrative Manager
Alan E. Greenfield, Board Attorney
Dave West, The Bogdahn Group
Dan Johnson, The Bogdahn Group
Pete Strong, Gabriel Roeder Smith
Vincent Carrodegua, Goldstein Schechter Koch
Clement Johns, Goldstein Schechter Koch

P = Present

E = Excused

A = Absent

GUESTS:

Craig Leen, City Attorney
Dan Thornhill, Fire Department
John Baublitz, FOP
Mike Tierney, City's Actuary
Richard Sicking, Esquire

Vice-Chairperson Randy Hoff calls the meeting to order at 8:09 a.m.

1. Roll call.

There was a quorum present. Chairperson Gueits and Mr. Greenfield were running late.

Mr. Garcia-Linares welcomes candidate for City Commission Ariel Fernandez to the Board meeting. Vice-Chairperson Hoff asks for Mr. Fernandez to introduce himself. Mr. Fernandez informs that he is a candidate for City Commission and was invited to the meeting by Mr. Garcia-Linares who informed

him the meeting was taking place today. He has heard a lot of questions from residents about the Retirement System and the pension so he wanted to be here to find out what is going on. He thanks the Board for having him at the meeting.

2. Consent Agenda.

All items listed within this section entitled "Consent Agenda" are considered to be self-explanatory and are not expected to require additional review or discussion, unless a member of the Retirement Board or a citizen so requests, in which case, the item will be removed from the Consent Agenda and considered along with the regular order of business. Hearing no objections to the items listed under the "Consent Agenda", a vote on the adoption of the Consent Agenda will be taken.

2A. The Administrative Manager recommends approval of the Retirement Board meeting minutes and Executive Summary minutes for January 8, 2015.

2B. The Administrative Manager recommends approval of the Report of the Administrative Manager.

1. For the Board's information, there was a transfer in the amount of \$3,700,000.00 from the Northern Trust Cash Account to the City of Coral Gables Retirement Fund for the payment of monthly annuities and expenses at the end of January for the February 2015 benefit payments.

2. For the Board's information:

- Caryn Cotton, Personnel Assistant, passed away on November 29, 2014. Her retirement date was February 1, 2011 and she separated from the City's employment on October 31, 2014. She chose No Option – 5 year certain and her beneficiary began receiving post-retirement monthly benefits on December 1, 2014. The monthly benefit will cease in January 2016.
- Melida Collins, Tennis Operations Supervisor, passed away on December 1, 2014. Her retirement date was November 1, 2005 and she separated from the City's employment on April 30, 2006. She chose No Option – 5 year certain. Those benefits have ceased.
- Bonnie Edwards, Police Property Clerk, passed away on December 8, 2014. Her retirement date was January 1, 2002 and she separated from the City's employment on August 16, 2007. She chose Option 1 – 10 year certain. Those benefits have ceased.
- Scott Masington, Police Major, entered the DROP on August 1, 2013 and left the DROP on December 31, 2014. He received his first retirement monthly benefit on January 1, 2015 and was not affected by the IRS 415(b) limits for the 2015 year.
- Michael Alicea, Police Officer, entered the DROP on June 1, 2012 and left the DROP on December 31, 2014. He received his first retirement

monthly benefit on January 1, 2015 and was not affected by the IRS 415(b) limits for the 2015 year.

- Randy Thomas, Sanitation Worker, retired on January 1, 2015. He chose Option 2B-100%.

3. For the Board's information, the following Employee Contribution check was deposited into the Retirement Fund's SunTrust Bank account:

- Payroll ending date December 28, 2014 in the amount of \$184,639.50 was submitted for deposit on January 6, 2015.
- Payroll ending date January 11, 2015 in the amount of \$180,187.56 was submitted for deposit on January 15, 2015.
- Payroll ending date January 25, 2015 in the amount of \$180,505.74 was submitted for deposit on January 30, 2015.

4. Copy of the detailed expense spreadsheet for the month of January 2015 is attached for the Board's information.

5. For the Board's information the Northern Trust Securities Lending Summary Earnings Statements for December 2014 and January 2015 are attached.

6. For the Board's information a copy of the Revised COLA 2015 letter prepared by Gabriel Roeder Smith is attached.

7. A copy of a memorandum from The Bogdahn Group dated January 12, 2015 regarding change of internal control is attached for the Board's information.

8. A copy of a letter dated January 27, 2015 from Gabriel Roeder Smith regarding the updated GASB No. 67 Disclosure information is attached for the Board's information.

9. For the Board's information, a copy of an ordinance amending Section 50-230 of the Retirement Ordinance regarding the cost of living adjustment and an Impact Statement prepared by Actuarial Concepts is attached.

10. A copy of the January 2015 FPPTA Newsletter is attached for the Board's information.

11. A copy of an email from JP Morgan Asset Management dated January 29, 2015 announcing their Global Real Assets Conference 2015 from May 6 to May 7, 2015 in New York City is attached for the Board's information.

2C. The Administrative Manager recommends approval for the following invoices:

1. GRS invoice #411470 dated January 7, 2015 for actuarial consulting services for the month of December 2014 in the amount of \$19,740.00.

2. Goldstein Schechter Koch invoice #20408574 dated January 19, 2015 for auditing services in the amount of \$11,000.00.
3. The City of Coral Gables invoice #010942 for the rental of City's public facilities in the amount of \$1,317.00 (\$439.00/month) and general liability insurance in the amount of \$982.26 (\$327.42/month) for the months of January thru March 2015.

A motion was made by Mr. Easley and seconded by Mr. Garcia-Linares to approve the consent agenda. Motion unanimously approved (11-0).

3. Election of a Chairman for the Retirement Board [Retirement Ordinance Section 50-88(a)]. *Deferred from the January 8, 2015 meeting.*

A motion was made by Mr. Hill and seconded by Dr. Gomez to nominate Randy Hoff as the Chairperson. Motion unanimously approved (11-0).

Mr. Gueits arrived to the meeting at this time.

4. Election of a Vice-Chairman for the Retirement Board [Retirement Ordinance Section 50-88(b)]. *Deferred from the January 8, 2015 meeting.*

A motion was made by Mr. Easley and seconded by Ms. Gomez to nominate Dr. Andy Gomez as the Vice-Chairperson. Motion unanimously approved (12-0).

5. Election of Investment Committee members [Retirement Ordinance Section 50-121]. 2014 Investment Committee members: Donald Hill, Randy Hoff, Robert Campbell, Troy Easley, Pete Chircut. *Deferred from the January 8, 2015 meeting.*

A motion was made by Mr. Nunez and seconded by Mr. Easley to nominate Donald Hill, Randy Hoff, James Gueits, Troy Easley and Pete Circuit to the Investment Committee meeting. Motion unanimously approved (12-0).

6. Presentation of the 2013-2014 Audit Report by Goldstein Schechter Koch. (*Agenda Item 8*).

Vincent Carrodegua and Clement Johns of Goldstein Schechter Koch present the draft Audit Report of the Retirement System for fiscal year 2013-2014. Mr. Carrodegua reads the audit opinion to the Board. In their opinion the financial statements referred to above represent fairly, in all material aspects, the financial position of the City of Coral Gables Retirement System as of September 30, 2014 and 2013. It is considered a unqualified opinion. This is the opinion you want for your financial statements. Recently this year the statements implemented a new standard GASB 67. A couple things have changed over the last two cycles. One of them is the Statement of Fiduciary Net Position. Overall the total assets are up about \$20 million driven mostly from the change in investments. Liabilities are down due to a substantial change by \$4 million. A net position change is about \$25 million. Mr. Johns adds that there was significant difference resulting from the obligation of securities of about \$1 million versus \$45 million.

Mr. Carrodegua reports on the Statements of Changes in Fiduciary Net Position. He points out a couple of observations. The total additions to the plan were down about \$6 million compared to last year primarily driven by a decline in the investment income in the plan. Mr. Johns states that in terms of percentage they are looking at 9% versus 13% in the prior fiscal year which with other plans the audit that is basically the trend. They are lower this year. The mean is about 9%. Mr. Carrodegua informs that they finish their audit cycle somewhere in March of every year. They do about 30 plans and after that cycle they issue a trend analysis where they benchmark all the plans. They will forward that information to the Board. Deductions were more or less the same within \$1 million of the prior year.

Mr. Johns goes over the footnote disclosures and the highlights on GASB 67. On note one, the Description of the Plan, there were some changes within those descriptions. The most significant changes related to the firefighters. They added that as a subsequent event. The first paragraph under the Pension Benefit they speak about the firefighters with less than 10 years of service and the normal retirement date is 51 years of age and 25 years of service effective 10/1/2013. In paragraph two they speak also again about firefighters' normal retirement income. For firefighters hired after 9/30/2013 their monthly pension is 3% for the first 10 years and then it goes to 2.5% for years in excess of 10 years of service. In the DROP category last year they reported the balance as of the fiscal year. They have provided in this report the roll forward schedule which is part of the requirements of the new GASB 67. This information does not affect this plan but other plans require the DROP as a liability. For the 2014 fiscal year the firefighters required contribution went up to 8%. This was a subsequent event for the prior fiscal year and now they are incorporated because they were in effect during the current fiscal year.

Under Summary of Significant Accounting Policies they talk about GASB 67. GASB 67 replaces GASB 25 as the way the plan is presented. What it does is it goes through the approaches of the plan liabilities; it also changes terminologies for reporting. There is an additional footnote that is required and it requires supplementary information. There are four or five different items that are now required. There is a new note required under the supplementary schedule which is Net Pension Liability. It is a new requirement by GASB 67. It shows the total pension liability of \$543,667,082; it deducts the plan fiduciary net position and comes up with the City net pension liability as of 2014 which was \$207,016,227. Then it takes the plan fiduciary net position and the percentage of the total liability. That number comes out to be 61.92%. This is the number they are presenting of the funding ratio. This number is based on market value versus the number the actuary will use for the actuarial value in the actuary report. Mr. Carrodegua comments that this is one of the better changes in the GASB 67. Mr. Johns explains that in the years they have a good market this number will be high and if the market goes down there is no smoothing.

Mr. Garcia-Linares asks how they compare with other funds. Mr. Johns responds that he has seen a lot of plans with 80%. Mr. Carrodegua states that overall all this number is low. Mr. Johns points out that they are a large plan. Chairperson Hoff asks what the other sizes of the plans they audit are. Mr. Carrodegua responds that they will give them those benchmarks at the end of their auditing period. This plan is toward the lower end of the scale. It has been relatively consistent for as long as they have been auditing this plan.

Mr. Johns points out another new disclosure which is the long term expected rate of return which is developed by the investment monitor. It shows what the expected rates are. They also have the sensitivity of the net pension liability. It shows what it would be if it were 1% greater and 1% lower. If it was 6.75% you are looking at \$256 million in terms of liability and if it was 8.75% this number would be \$164 million. For the State requirement they want to see 2% less so they will be seeing it 5.75% which will be substantial and larger and the State doesn't require them to show the 2% greater but they are allowing the cities to post that number.

Mr. Johns states that they show subsequent events that will take place beginning 10/1/2014. The biggest one is that all firefighters and police officers will be contributing 10% to the plan and there is something related to the DROP also. Mr. Carrodegua informs that there was not too much change in the Other Supplementary Schedules of Investment Expenses and Administrative Expenses. Between 13 and 14 overall investment expenses were within \$86,000 of last year and the administrative expenses were down \$3,000 from the prior year. Regarding the verbal report, SAS 114, it is a report that covers disagreements with management and there were none. It covers if there were any significant adjustments to the financial statements and that is critical to the Board because if they were receiving interim financial information and then they put them in at the end of the year and there were substantial changes then the interim information becomes less reliable. There were none. Did they have to refer to any outside accountants or independent parties for reference to information because of any disagreements or any uncertain items in the financials? There were none. They cover any sensitive items and any substantial changes to the statements where they disclose once again the effects of GASB 67 in that report. There are no other matters to cover at this point.

Mr. Johns explains that there was a lot of additional work required because of the GASB 67 and it also required more cooperation from the investment consultant, the custody bank, the actuary, the administrator and the City. They were very efficient in getting them the information so they can present this report to the Board in a timely fashion.

Ms. Gomez asks when they will get the finalized report. Mr. Carrodegua informs that they will need the letter of representation and within 24 hours they will submit the report. They have one change on it and they will confirm that change.

A motion was made by Ms. Gomez and seconded by Mr. Gueits to accept the draft audit report. Motion unanimously approved (12-0).

Chairperson Hoff remembers that they had an issue where the auditors were going to do something regarding the GASB 67. Was that resolved? Ms. Gomez informs that the issue was resolved. Mr. Carrodegua states that with this plan they did not have a lot of issues with implementing the GASB 67. Ms. Groome confirms that they will be back at the March meeting for approval of the State Report. Mr. Johns answers affirmatively.

Chairperson Hoff recognizes City Attorney Craig Leen. Is there something he would like to discuss? Mr. Leen informs that he is at the meeting to update the Board on the Commission's recent action on the COLA and also to talk about the status of the two lawsuits and to remind them about the pension workshop tomorrow morning. The first thing he wanted to speak about

was the Commission's recent action by ordinance amending the COLA provision. It was to adopt the interpretation they have been talking about for some time related to the State Statute related to actuarial experience. The City's position is that it is incorporated by operation of law into the pension ordinance. This Board has acted to stay any issue related to that based on the lawsuit that is pending. The Commission did pass an ordinance adopting that interpretation by placing the words into the ordinance. It also adopted a date by which to measure the actuarial experience and that date was January 1, 1994 which is the date the statute went into effect.

Mr. Leen informs that the second issue is the lawsuit related to Nyhart. Not much has developed there. The case is still pending. His recollection is that none of the Board members have been deposed at this time and he thinks they would resist that. At this point the case is progressing a little bit but not significantly.

Mr. Leen explains that the third issue is the lawsuit related to the COLA. He told the Board last time that the Commission would be having an Executive Session then they would be seeking mediation. They had the first Executive Session and he can't talk about what happened in the Executive Session but he can say that the Commission will be having a second Executive Session after the workshop tomorrow in case there are things that impact the COLA that are raised at the workshop. He encourages the Board members to attend the workshop tomorrow. Then they will be holding a mediation and the mediation will be under George Knox. It is likely to be in March. One issue that has come up is that the Unions have asked to participate in the mediation almost as parties but they are technically not parties for the case. He told the Commission that they would allow them to participate in the mediation because they were concerned about that. Kathy Phillips came to the Commission and expressed her concern and wanted to be involved. She is actually a counsel of record in the case. The only issue is they have to find a way to allow the Unions to participate in a way that promotes the goals of mediation because there is a District Court case that says when you have the Unions there as parties and they are negotiating that you have to have an open mediation because it is collective bargaining. They think there may be ways to address that. Perhaps with the Unions sitting in as observers or perhaps with opening the part of the mediation where if there is any direct bargaining going on. They are talking to the legal representatives of the Union about that. They would certainly like whatever comes out of this case to resolve this issue for all time. Mr. Gueits asks if there is anyone going to attend that mediation on behalf of the Board. Mr. Leen responds that the Board is not a party but if the Board would like to have someone there he would consider it. He is not sure what their position would be. They may want to talk to the Board Attorney about that. Mr. Gueits states that the thought just came to mind.

7. Attendance of Pete Strong from Gabriel Roeder Smith presenting the Board the 2008-2014 Experience Study. *Deferred from the January 8, 2015 meeting. (Agenda Item 9).*

Pete Strong of Gabriel Roeder Smith presents the 2008-2014 Experience Study deferred from the January 8, 2015 Board meeting. They prepared an update of the Study. That update is dated January 29, 2015. During the last meeting when he presented the Experience Study it was requested that he take a look at the latest FOP contract. That was sent to him and he and another actuary reviewed all the terms of the contract and had some questions for the City as to how certain provisions worked and they received the answers to those questions. Basically their interpretation is that with the annual rates at 2.5% across the board during the contract

period there will be a 5% increase as of 9/30/2014 to offset the member contribution increase for Police. There is a 5% loyalty increase as of 10/1/2015 up to 20 years of service and there are promotions that will be given either a 5% increase or to the bottom of the new range. They are assuming most of those will be 5% increases for the promotions. They did the math and said that over a typical five year period someone will get a loyalty increase, a promotion, a 2.5% merit so that would be five 2.5% merits and two 5% increases on top. When you do the math you get about 4.5% on average for that five year period. The Experience Study results that they proposed as of 12/31/2014 had an average of 4.07% throughout someone's career. So 4.52% is a half percent higher. As a result of their review they recommend increasing their proposed rates by half percent across the board. By implementing those assumptions there would still be a decrease in the contributing requirement attributable to that salary increase change. Instead of being around \$190,000 decrease it would be about \$58,000 decrease. It is almost neutral compared to the fire assumption but a little bit lower. That is their recommendation. They also reviewed the general employee contract and saw nothing that would cause them to need to change their recommendation at this time. He understands that there is a firefighter contract currently in negotiation and so once that new contract is implemented they will review that as well to determine if there are changes that need to be made for the firefighter salary scale.

Mr. Strong informed that he did get Mike Tierney's review of the Experience Study last night and had a chance to read it. He thinks that Mr. Tierney had a couple of good points but wanted to address the points raised. The first recommendation was testing the salary increase rates against the current contract which they have done for police and for general. Once the contract is in place for firefighters they will do the same review for that contract also. Ms. Gomez asks what contract they used for the firefighters. Mr. Strong informs that they have not done a review because there is no current contract in place for salary increases for fiscal year 2015/2016. There is no current contract that would tell them what to expect over the next few years. It would be similar to what they established for police which would be in the range of 4%. The current expectation for firefighters in the Experience Study for 2013/2014 they had 4.49%. That is close to what a 4.5% expectation would be if you had the same provisions for police. He is comfortable with their current recommended rates unless the contract justifies a deviation from that once they have it.

Mr. Tierney states that the study did not talk about how the police longevity was reflected in the rates and he thinks that the scale based on service makes a lot of sense. His concern was the gradations of the service may not have included longevity which is part of the current table. They didn't talk about it so he was concerned they hadn't looked at it. He thinks it should have been looked at a little more carefully especially with regard to longevity. A lot of this is theory in terms of phasing down. It has to do with building blocks of the salary scale using inflation and not necessarily just focusing on past experience. He thinks that was good also in terms of being able to look forward a little bit. He is saying that the pay plan should be looked at and there could be some adjustments. What he had in mind is that if you had longevity for ten years and take whatever the assumption is to show something at the ten year mark or something like that. Mr. Strong informs that their position is that longevity is included but spread out over a five year period. Instead of a one-time bump it is included as a general average over the period of ten to fourteen years and the period of fifteen to nineteen years. There are going to be different people hitting ten and fifteen years at different points and time and this is more of an

average. They believe these rates are sufficient based on the averages that have been observed and based on the building block methodology.

Mr. Chircut asks for Mr. Strong to go over the building block methodology for the firefighters. Mr. Strong informs that they are starting out at 6.5% in total for the first few years of service and then grading down to 3.75%. What traditionally happens in these types of plans is the bulk of raises are in your first ten years of service. Usually you have more promotions, you are ramping up in your steps and when you get to your later years, 10 through 20, the main sources of increases are your merit increases and your loyalty increases. Those are the main two sources of increases in years 10 through 20. You get 5% at years 10, 15 and 20 and 2.5% throughout the rest of the years. Then having 4.5%, 4% and 3.75% will work out as an average increase. Ms. Jaramillo-Velez asks if he also took the excluded employees loyalty into account. Mr. Strong informs that like he said for firefighters, it is embedded into the experience. Ms. Jaramillo-Velez states that he is looking at the experience for firefighters and not the current contract. Chairperson Hoff states that even though it is out of date they use the current IAFF agreement. Mr. Strong informs that they did not have a copy of the current IAFF agreement.

Mr. Tierney comments that the building block approach is a fine approach and it is close to the assumption which is probably fine but if you are going to do a study you want to use all the information you can. It would be better to fine tooth it whenever they get around to it. He doesn't see any reason to make a big deal of it now. Looking at the police contract was good but they ought to do the same with the firefighters at some point. Mr. Strong informs that once a new contract is complete for the firefighters they will review it. He also would like to make a point that the total liabilities for the plan in the 10/1/2013 valuation report are \$532 million and for inactive members it is \$426 million. Roughly 80% of the liabilities are inactives. Only about 20% of the liabilities are for the active employees which are going to be affected by the salary increase assumption. In terms of the grand scheme of things for the plan as a whole the salary increase assumption is not going to have much impact on the overall liability. Making small tweaks of a few basis points here and there is not going to be significant. Mr. Tierney agrees but there is a lot of attention being made to how they are funded so they don't want this to reduce the credibility of assumption setting and the fact they are on a reasonable path. He does agree with the comment but there is still that issue that they have to do the best they can with the assumptions just because of the past history and the criticism of not getting the assumptions right. It is a very sensitive issue.

Ms. Gomez would like for Mr. Strong to continue addressing the points made in Mr. Tierney's letter. Chairperson Hoff asks if Mr. Strong had the chance to go through the letter. Mr. Strong informs that he did read the letter and has points he can make. Regarding the rates of retirement, they did evaluate the different groups that are affected under the different normal retirement provisions. There is a break between people who have less than ten years or more than ten years as of 9/30/2010 and there are also breaks for 9/30/2012 and 9/30/2013 for police and firefighters. The volume of experience they have had is very low for people with less than ten years of service as of 9/30/2010 reaching retirement age. They did have a few exposures and the exposures they did have were people who were reaching age of 62 and 10 years of service. In actuality there was not enough exposure to mention in the report but there were fewer retirements than expected at age 62 and 10 years of service. Fewer even as a percentage

than there were at age 52 and 10 years of service. Their proposed retirement rates inherently include reaching eligibility of retirement as a requirement and also are different based on being above or below age 65. If you are above 65 they are higher and if you're below 65 they are lower. Your first eligibility is set at either age 62 and 10 years of service or age 52 and ten years of service. The appropriate rates are going to apply. Based on the analysis they did, which was very extensive, they looked at this more ways than they have looked at retirement experience before. They looked at it by age, by service, by combinations of age and service and eligibility and even looked at exactly when people were reaching rule of 70 or rule of 80. They did not have much exposure at rule of 80 yet because they are only a few years past of when rule of 80 became effective. Most people who would hit rule of 80 now were eligible for rule of 70 at 9/30/2010. Based on the length of exposures and the experience that they did see he is very comfortable with the recommended retirement rates. It is their recommendation that no changes be made.

Ms. Gomez asks if Mr. Tierney could comment as to why his recommendation was to perhaps further revise taking into account age differences. Mr. Tierney explains that in the report it mentions that experience showed differences by service and age. The only conclusion was that experience varied by age so it seemed logical to him to have a service experience for retirement rates. It seems like they reached the same conclusion that these things vary by service and age and they didn't really adjust or make any distinctions by age in their recommendations. Mr. Strong responds that it is inherent in the eligibilities that are achieved. When someone reaches eligibility they have a given retirement. What they did is create a whole matrix of age by service and that array is different for age 52 and 10 years of service or rule of 70 versus age 62 and 10 years of service or rule of 80 based on when they reach eligibility and being above or below age 65. Mr. Tierney points out that information was not in their report so they could see the matrix. Mr. Strong explains that it is something that can be constructed from their tables. They didn't want to put in a table that would be burdensome to try and read and look at because it has everything all the way out to 30 years of service so instead of having a large table they just put years of eligibility, years of service and general age criteria as a summary. Mr. Tierney states that when you hit the eligibility of age 52 or 62 the same rate applies so it is not varied by age. He was making a suggestion to try and look at the rates. The purpose is to make sure they don't have something different and something later on where someone may question it. That is the focus of his concerns.

Mr. Garcia-Linares comments that they now have two situations where Mr. Tierney did apparently not have all the information to verify what he is concerned about it. It appears to him that what should have happened prior to having this discussion and the two actuaries should have talked and asked each other questions. He doesn't understand why the Board got this letter at the last minute yesterday. They both should talk because it seems that Mr. Strong has to defend himself on point by point as opposed to having a conversation beforehand to see whether or not there is an issue. Some of this there is not even an issue. Ms. Gomez points out that at the last Board meeting when they got the Experience Study and they got it a couple of days before the meeting she didn't have enough time to review it and at that point in time the City didn't have the chance to review it. So she asked if it was okay to take the time to defer any action at that meeting and have the City review it. They have been reviewing the study and just received the review. Mr. Garcia-Linares thinks that within the month the two of them should have spoken and they should not have received the letter last night. Now they have to

sit here and listen to the two of them and Mr. Strong has to defend what he has done instead of both of them having a conversation. It makes no sense to him.

Mr. Gueits asks if they are going to vote on this today. Mr. Garcia-Linares doesn't think they are voting on this today so they should defer it and have the two actuaries talk. Ms. Gomez states that they did talk about deferring the vote to this meeting so if they are not ready to vote then that is perfect but she felt it was necessary for the City to have an opportunity to review it. Mr. Garcia-Linares asks why they didn't review it within the first 30 days of receiving the study. Mr. Gueits asks when the deadline is for this study. Mr. Strong informs that they wanted to get approval of the study so they could move forward with the valuation. Mr. Gueits asks if there is a State deadline or anything serious hanging over their heads. Mr. Strong responds that there is not.

A motion was made by Mr. Gueits and seconded by Mr. Garcia-Linares to defer approval of the study until the next meeting to give Mr. Strong and Mr. Tierney the opportunity to confer.

Discussion:

Mr. Garcia-Linares asks that whatever they agree to that the Board doesn't not receive it at the last minute for the next meeting. The two of them need to meet quickly so Mr. Strong can review things and get something to the Board so they have enough time to review the prior to the meeting. Mr. Gueits states that if there is something that is real substantive concern then they should bring it forward. Mr. Strong explains the only thing that is substantive is the mortality rates. Mr. Gueits thinks these are fair comments but it probably should have been done outside the Board meeting so that way when it comes to the Board they can take action and not have the debate during the meeting.

Mr. Tierney states that if they want Mr. Strong to talk with him then the Board needs to authorize him to talk. Mr. Gueits thinks it is abundantly clear and it is fine for the two of them to confer. They would prefer that. They want the input, they like the input. He thinks the question is a matter time management and whether these are issues that can be resolved prior to coming to the floor.

Ms. Jaramillo-Velez asks if they could address the mortality tables when they come back to the Board. What happens if they adopt the mortality table but then the State decides they have to use the same table as FRS? Chairperson Hoff asks if there is any update on that aspect. Mr. Strong informs that it is his understanding that the bill is still in committee hearings and is still in the process of going to the Senate and the House. He believes the rates of salary increase and rates of retirement they are right on. He recommends the Board approve those two assumptions because of the volume of the work and the other actuaries that have looked at it. The rates of mortality though are probably something that needs to require further discussion. One thing they can do is run the results assuming that FRS mortality was used and see how that compares to what they are recommending in terms of the RP 2014. They haven't done that yet. They have run the results with their recommendation but they can run it again with FRS mortality.

Ms. Gomez states that at the end of the day Mr. Strong and Mr. Tierney may disagree and that would be fine but she is asking that the City Actuary also have the opportunity to address the Board to let them know the City's perspective of looking at something as well. That is what this was about. It is something to consider. Mr. Gueits believes that the points were well taken. It is simply a question of whether they have time to sit and go through ten items if there are going to be disagreements. Mr. Tierney informs they were almost done. They just need two more minutes.

Mr. Strong informs that he can be flexible on the mortality rates. Because it is a grey area there is no completely right or completely wrong answer. They have to be somewhat conservative because he believes the mortality that is currently in place is somewhat outdated so they need to reflect recent experience throughout the country. He is not completely sold on using 100% blue collar rates for special risk because not every police officer and firefighter is exposed to the same risk. Not only that, once police officers and firefighters retire studies have shown that their mortality rates are not significantly different than the general population once in retirement. He is not sold on using 100% blue collar for police and fire. Mr. Garcia-Linares wants him to look at what the City's actuary says and tell the Board his opinion since he is the Board's actuary and whether or not he agrees with some or disagrees with some and come to the Board with a recommendation so they can vote on it.

Mr. Easley thinks a lot of people don't understand the difference between blue collar and why he is not comfortable using that versus the other table. He asks for Mr. Strong to clarify. Mr. Strong explains that blue collar rates were developed using pension plans mostly hourly rate, union negotiated private sector pension plans where the workers are in blue collar jobs which are assembly line workers and people that work outside and are exposed to risk. Cancer rates are higher amongst that class of people. He doesn't think you can say the same for police officers and firefighters. There is a higher risk when you are actually employed but during post retirement he doesn't see a need to use blue collar adjusted rates for police and fire. Mr. Easley asks how it would affect the City's contribution regarding the blue collar versus a mixed hybrid. Mr. Strong explains that if you applied the blue collar rates to the past six years you would have expected more deaths than what you actually had so to him that is going in the wrong direction. Mr. Garcia-Linares asks if they would have underfunded. Mr. Strong answers affirmatively.

Mr. Alvarez thinks that for the most part, despite Mr. Tierney's opinion, all this will stand and for the mortality table Mr. Strong says he can be flexible but he will stand by his initial opinion. Mr. Strong agrees. Mr. Alvarez states that even they go back and discuss it nothing will change on Mr. Strong's end. They can hear the City's opinion in the end but for the most part Mr. Strong will stand by what he originally gave the Board. Is there a point in deferring? Ms. Gomez would like to give them the opportunity to have that conversation before making the decision. As long as they can get the valuation report for the next meeting or the following meeting that is fine. Mr. Strong explains that they need at least four or five weeks to put the report together once they know what the assumptions are going to be. If they don't have a decision until the March meeting it will be tough to have the report for the April meeting. Ms. Gomez informs that if they can get the report by the May meeting in terms of the budget that will be fine. Mr. Kleiman thinks the May meeting will be a little late because by that point he

is already going forward. They have to start considering capital projects. The earlier he receives the contribution amount the better.

Mr. Strong points out that one of the suggestions Mr. Tierney made was to not adopt the mortality table changes until 10/1/2015. He thinks the Board should make a short-term temporary adjustment to current mortality table. Right now the mortality table is the RP 2000 projected to 2012. They are currently doing the valuation for 2015. They could change the RP 2000 projected to 2012 to the RP 2000 projected to 2015 which is to project it to the current point and time they are in which would be relatively minor. Then they can adopt the other changes which are the salary increase rates, the termination rates and the retirement rates now. Then they could move forward with the valuation and come back to the mortality tables being effective 10/1/2015.

Ms. Gomez asks for Mr. Strong to repeat what he said. Mr. Strong repeats that they can approve the salary increase rates, the retirement rates and the termination rates. The disability is a very minor thing. He informs that Mr. Tierney is recommending FRS disability which is not that significantly different than what is being recommended so if the Board wants to use FRS disability rates they can do that and it will not create a significant change in cost. It is similar to what they are currently showing. That is very minor in terms of cost impact. They can adopt the recommended retirement, termination and salary rates and then have a temporary adjustment to mortality to the RP 2000 projected to 2015 with the understanding they would revisit mortality for the 10/1/2015 valuation. He would be comfortable with that and then they could move forward with the 10/1/2014 valuation so they can present the report for the April meeting. Chairperson Hoff points out that they have a motion on the table. Mr. Garcia-Linares asks if they both now agree on everything other than mortality. Mr. Tierney responds that they can still disagree. He made his comments and Mr. Strong has considered it. The Board's actuary is the one in charge of the assumptions. This is supposed to be a constructive dialog and he is okay with what Mr. Strong has recommended. Chairperson Hoff states that the point is that the dialog should not be happening here. Mr. Strong thinks they have reached a common ground. Mr. Gueits withdraws his motion to defer.

Mr. Garcia-Linares asks Ms. Jaramillo-Velez if they have addressed her concern regarding the mortality table. Ms. Jaramillo-Velez would like to know how the mortality would be affected if the Senate Bill is passed requiring cities to use the FRS mortality table. Mr. Strong explains that the Senate Bill 242 won't be in effect until next year. They can run the impact as a side project without holding up the 10/1/2014 valuation. Mr. Tierney informs that the RP 2000 projected is sort of what the State is going to do anyway.

A motion was made by Mr. Gueits and seconded by Mr. Garcia-Linares to approve the actuary's recommendation to change the proposed salary increase rates as amended by their 1/29/2015 letter, the recommended retirement rates and termination rates as of the 12/31/2014 Experience Study, disability rates as used by FRS, and the same mortality table projected to 2015 for now and revisit the mortality table for the 10/1/2015 valuation. Motion unanimously approved (12-0).

Mr. Leen states that when they were speaking before about the Nyhart case he wanted to let the Board know that they did receive a letter asking to preserve any documents they may have

related to this matter. Second, regarding the request to have someone at the COLA mediation, Mr. Greenfield has volunteered to do that. Mr. Leen explains that he still needs to think about it. He is open to that too because it may end up being a public mediation at least part of it but he needs to talk to counsel and the mediator to see what they think about that. Mr. Greenfield thinks it would be worthwhile for the Board to be present by having an attorney there to hear what is going on and be able to report back to the Board. Mr. Leen states that they just have to work it out and whatever they do the mediator has to be okay with. Lastly, the actuarial experience date for the ordinance change is July 1, 1994 and not January 1, 1994.

8. Items from the Board attorney. (*Agenda Item 6*).

Mr. Greenfield apologizes for running late but traffic was horrendous. They have had a very calm month since the last meeting. He and Ms. Groome have had some normal administrative things but there is nothing he needs to report to the Board about it. He spoke to Mr. Leen regarding the fact that they are a party to the Nyhart litigation and the agreement they had made was that he was supposed to get copies of everything and know what is going on and have some input into the proceedings. He had received some at the beginning and then he started to not get anything except for what he would ask for. Fortunately they have a docket system that they can go online and see what is happening so before the meeting he went online and saw that they have had some interrogatories propounded. He couldn't tell if it was their interrogatories or the other side's interrogatories. They have had some notice to produce and requests for remissions. He spoke with Mr. Leen this morning and these were things done by the defendants served upon us and Mr. Leen will make sure they get copies of that. Mr. Leen informs that he didn't know Mr. Greenfield wasn't getting served. He will correct that today. Mr. Gueits asks if it isn't Nyhart's counsel's obligation to serve Mr. Greenfield as the Board's attorney. Mr. Greenfield informs that the way it was set up at the very beginning was that although the Board was a party, he did not enter an appearance for the Board but that was okay because Mr. Linn said they would be participating and they would be getting copies from them. Mr. Leen states that Mr. Greenfield should still be receiving information. He will either have Mr. Greenfield do an appearance or he will just have to instruct Nyhart to serve Mr. Greenfield. It won't happen anymore. Mr. Greenfield remembers the dialog at the beginning was to keep costs down and not have the Board have the expense of doing some things where it is being done by the City and that are why they did things the way they did them. Mr. Leen recommends that the Board Attorney enter an appearance as co-counsel for the Board.

A motion was made by Mr. Garcia-Linares and seconded by Mr. Gueits to have Mr. Greenfield as the Board's Attorney enter an appearance as co-counsel for the Nyhart lawsuit. Motion unanimously approved (7-0). (Five Board members stepped out of the meeting during the discussion and motion.)

Mr. Greenfield informs that they have the workshop with the Commission tomorrow at 9:00am. He understands that the Board has now been officially made a part of the workshop which was a question before and the Board may or may not be able to speak at the workshop. Mr. Easley understood that the Board members could attend but could not actively participate. He is confused because the Board was the one who called for a workshop and now they are by-standards. Mr. Greenfield informs that he asked that question this morning of Mr. Leen and Mr. Leen said that he made sure that the Board was added as being a part of the workshop whether or not the Board will be able to speak depends on whether someone on the Board

would like to speak and then it would be up to the Commissioners whether they can participate or not. It is really a Commission workshop.

Mr. Greenfield comments that for the Board members that were not at the last Florida Public Pension Trustee Association school, it is something they should really consider attending. Mr. Hill, Mr. Kleiman, Mr. Easley and Mr. Nunez were there. He thinks it is very informative and you have a different insight on things notwithstanding the fact that you read the Wall Street Journal or hear things in general in everyday life or hear things from the investment advisors, you get a different perspective when you are there. He really suggests they attend.

9. Attendance of Richard Sicking on behalf of vested rights retiree Eric Motion requesting forgiveness of paying back overpayment of his retirement benefit. Mr. Moton currently owes the Retirement System \$12,821.12. (*Agenda Item 7*).

Mr. Garcia-Linares asks if he and Mr. Greenfield have spoken about this issue. Mr. Greenfield informs that he just walked in and didn't have the chance to speak to Mr. Sicking about the issue. Mr. Greenfield and Mr. Sicking step outside to discuss the issue.

10. Investment Issues. (*Agenda Item 12*).
Dave West of The Bogdahn Group introduces Dan Johnson who has been added to the team servicing this plan. He informs that they sent out a communication notifying a change in ownership for the Bogdahn Group. Joe Bogdahn has tenured his shares to Mike Welker so now Mike Welker and himself are the equity owners of The Bogdahn Group and Mike is the majority controlling owner. When there is a change in ownership they have to indicate that to the FCC and get a change in ownership internal control consent letter signed by clients. Nothing has changed and the plan's contract is still with The Bogdahn Group and nothing will change in The Bogdahn Group's service to this plan.

A motion was made by Mr. Gueits and seconded by Mr. Easley to approve The Bogdahn Group's change in ownership consent letter. Motion unanimously approved (12-0).

Mr. West reviews the January performance. The total fund net was down .84% so for periods ending January 31 it puts their one year number at 7.05%. They are still annualizing nicely with the three year number at 10.52% and their five year number they are annualizing at 10.35%. Only six out of the ten benchmark available active managers for the month were able to outperform the benchmark. It was not a pretty month. There was a huge shift going on and it looks like there is a normalization going on to help finish out the quarter a little more positively. The PIMCO Diversified Income fund ended up having a positive return for the quarter and the Templeton Global fund was negative due to currency shifts impacting that portfolio materially. Disco II was negatively affected as the lower quality or securitized asset backs that this fund is in sold off in this period of time.

Mr. West updates the Board on the PIMCO Disco II fund. They have had PIMCO in their offices and they have also been out to a couple of clients. They are on the calendar to speak to the Board at the March meeting so they will have a full in-depth discussion with that group for the March meeting. Basically to update, they have announced that they will continue the fund and they are lowering the return expectations now to a 6% to 9% range. Previously they were

high double digits and fortunately they ended up returning in the low 30%. They are lowering target return expectations. The fund is going to have a window in April at which time anyone who wants to make a big withdrawal or complete contribution to the fund can do so otherwise going forward they plan on having a quarterly liquidity window where they would have to provide a 45 day notice and they can get in and out of the fund on a quarterly basis. They also expect a lower leverage at the height of the best returns opportunity for this fund. They were running about 4.5 times leverage. They are projecting going forward that leverage is going to be brought back down to 3 times or even less. Their position on this is to continue with the fund. They would like to consider reclassifying this fund from alternative opportunistic fund to a bond fund. That is what it is. As they are bringing in the risk attributes to this fund it really looks more like an opportunistic bond fund going forward. Their recommendation is to continue with the fund but reclassify it. They will address those Investment Policy issues going forward.

Mr. Easley asks if they have started to look at the alternatives to invest in. Mr. West responds that at the Investment Committee meeting they reviewed two alternative spaces. They looked at the hedge fund fund-of-funds and they also looked at Global Tactical Asset Allocation which are two different investment approaches of products. The conclusion of that meeting is to move forward with interviews for selected managers for both of those spaces. The idea was to get this going in advance in the event that the Disco fund was to be sunsetted but also to continue on with the idea of adding additional alternatives to the portfolio. One of his agenda items today was to get feedback from the Board about what pace they would like to proceed in the interviews for the managers that were selected. They are working in advance. They would like to keep it moving forward. Ms. Groome informs that it was recommended by the Committee for the managers to interview in front of the full Board. Mr. West thinks the thought was they can use this as an education opportunity also. The Committee felt that the entire Board would benefit. Ms. Groome informs that PIMCO is one of the managers for the Global Tactical Asset Allocation fund and they can actually present that in March. Mr. Easley asks if PIMCO was one of two for that fund. Mr. West answers affirmatively. Mr. Easley asks if they can have the other manager to present that same time. Mr. West thinks that would be a good idea. They will schedule those interviews for March.

Mr. West reviews the quarterly performance as of 12/31/2014. Referencing the compliance page they have seen good improvement in the growth manager situation. The new managers have done well for them. Wells Capital had a good quarter so hopefully this ends their ugly streak of underperformance. They had their quarterly investment policy meeting and they reviewed several managers. They looked at the success of the managers internally and they confirmed that Wells had an 85% hit rate in identifying companies that had positive earnings. The manager is doing what they say and were very successful in that process. The problem is during the last 12 months the equity growth equity markets have not recognized earnings growth but Wells continued to fire and own companies with positive earnings surprise and they are still holding onto the belief that longer term earnings drive stock appreciation so they are comfortable and are pleased they had a good quarter. No change in Wells. The other manager that flags was Winslow. Tracking them and their analyst meeting with Winslow they remain constructive on the manager. Winslow is positioned for a strong cyclical recovery so when they have had these pull backs and concerns over global slowdown that had negatively affected returns. They are positioned positively in the decline of oil and they are overweight in

industrials that are cost sensitive and fuel sensitive industries. They are also overweight in health care which has had a good performance sector. They recommend staying the course with Winslow. There are no manager change recommendations.

11. Discussion of going to a more aggressive asset allocation in equities as requested by Board member Troy Easley. (*Agenda Item 11*). Mr. West explains that what he would like to do at the March meeting is that they received a change request from Eagle for some policy language issues and in the course of going through it they would like to get a number of things done. They have completed the amended policy document and are circulating that to all the managers for final comment which they do on an annual basis. When that is done they will have it reviewed by Mr. Greenfield. When that is done they would like to take the Board through some proposed changes in the document at the March meeting. Mostly it is formatting and they are proposing some benchmark and index changes. At that time he thinks it would be an appropriate time to look at the asset allocation targets with regard to equity. Mr. Easley would like to defer this discussion to the March meeting when the investment consultant plans on addressing the benchmark issues.

Mr. West states that they would like to review the rebalancing procedures of the plan at the March meeting also.

12. Discussion of "First Letter" from the Retirement System as requested by Board member Rene Alvarez. Mr. Alvarez informs that they can table this issue. Ms. Groome addressed the issue with him already.
13. Old Business.

Mr. Greenfield informs that Mr. Sicking left because he was at the meeting pro-bono for a retiree. He misunderstood the problem which was explained by Ms. Groome and Mr. Sicking understood that Ms. Groome was handling it.

14. New Business.

Mr. Easley states for the record Mr. Strong, the actuary for the Board, will be at the workshop tomorrow with the Commission to answer any questions that the Commissioners might have looking at it from the pension Board's perspective. Mr. Strong verifies that the Board is paying for his attendance. Ms. Groome thinks it would be the course of business for the actuary. Chairperson Hoff thinks that the Board would want Mr. Strong attending on the Board's behalf. Mr. Gueits asks if Mr. Strong can speak at the workshop. Ms. Gomez informs that it is a workshop for the City Commission and the City's representatives to make their presentation. They are invited to observe but not participate. Mr. Garcia-Linares asks why they would be pay for Mr. Strong to be there. Ms. Gomez informs that she is just letting the Board know how the workshop is set. Chairperson Hoff understands that all the Commissioners have to do is ask for Mr. Strong's input and he would much rather have their actuary there to present information than not there and then have to go back to the actuary at a later date and time.

A motion was made by Mr. Easley and seconded by Mr. Garcia-Linares to have the Board's actuary attend the Commission workshop. Motion unanimously approved (12-0).

15. Public Comment.

John Baublitz of the Coral Gables FOP and Dan Thornhill of the Coral Gables Professional Firefighters request permission to use the Board's actuary to get the appropriate information for collective bargaining with the City. Ms. Groome informs that it is customary that the Board's actuary has all the data information to be able to talk to the unions with the information he has and the unions pay the bill for that work. They have to request permission to use the Board's actuary. Mr. Greenfield informs that they have done it in the past. Mr. Garcia-Linares points out that there is a pending lawsuit. Mr. Greenfield understands. He doesn't see any problem with the unions using the Board's actuary. Ms. Gomez asks Mr. Strong if he has a conflict with providing the information to the unions. Mr. Strong replies that typically when they are asked to provide information to another party they must have permission to do so by the Board. They still have an unbiased opinion and all they do will be providing actual information that is being requested. They are not picking any sides and are providing information.

A motion was made by Mr. Easley and seconded by Mr. Nunez to approve the use of the Coral Gables Retirement System's actuary by the labor unions of police and fire and general employees for gathering of data information at their own costs. Motion unanimously approved (12-0).

Ms. Groome informs the Board that if they want to attend the FPPTA conference in June in Boca Raton to make their hotel reservations now.

16. Adjournment.

The next scheduled Retirement Board meeting is set for Thursday, March 12, 2015 at 8:00 a.m. in the Youth Center Auditorium.

Meeting adjourned at 10:06 a.m.

APPROVED

RANDY HOFF
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER